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SENATE.....No. 10.

*To His Excellency JOHN DAVIS,
Governor of the Commonwealth of Massachusetts :*

The undersigned, Bank Commissioners, respectfully present the following as their Fourth Annual

REPORT.

During each period of twelve months, since April, 1838, when their office was created, the commissioners have, in compliance with the law, visited and examined all the banks and all the institutions for savings in the Commonwealth. Since April, 1841, they have visited and examined all the said Corporations, except twelve banks and two savings' institutions in the city of Boston.

The examination of these will be duly completed previous to next April and during the session of the Legislature ; and according to previous custom a supplementary report, in relation to these banks, as well as in relation to the condition of those banks whose charters have been annulled or surrendered, will be made in time to be communicated to the Legislature. The division of labor, authorized by law and adopted by us, has been acted upon, so that comparatively but few of the banks have been visited by all the commissioners together ; others, by two of the board, and the larger number by one only. This

examination each year has been a business of laborious detail. We have made minutes and records of the examination of each bank, for the purpose of method and exactness, of subsequent reference and explanation in consultation with each other, but we have never deemed it either necessary or economical to appoint a clerk as authorized by law, and all the labor of every kind has been performed by ourselves. We have found the best course to be, not to pursue and complete the examination of all the banks, without intermission, in any one continuous portion of the year, but to arrange the examinations at intervals throughout the whole year. This course enables us to understand the general condition of the banks throughout the year. It also enables us to be present in Boston during a part of the sessions of the Legislature, so that we can furnish any required information to the committees thereof, without serious interruption to our other duties.

Our duties, as prescribed by law, were generally to examine the banks once in every twelve months, and oftener if we deemed it necessary ; and to make a report of the general condition of the banks, in December annually. In these annual reports, as well as in several special reports, we have endeavored to state all the essential facts developed in our examinations, in regard to the general condition of the banks, the evils to be corrected and the dangers to be guarded against ; and also, particularly, the history and details of the corporations which have required our special action.

Our habit is, in addition to the examination of the various items of the assets, liabilities and accounts of each bank, to examine the officers or some of them, under oath, upon all matters deemed by us important ; and at

the time, and on the spot, we have made the suggestions, indicated by our observation and experience by way of improvement in each bank. In many instances we have seen these suggestions adopted and acted upon, and the condition of some of the banks sensibly and materially improved.

The banks in this Commonwealth, in operation, are now generally in a sound and healthy condition, and with continued care and watchfulness, and untiring industry, on the part of those who have duties to perform to them, we have reason confidently to believe, that they will remain so. Since August, 1837, previous to which time there was a temporary suspension, they have furnished to our community a sound and uniform currency, redeemable at all times in gold and silver. Within the last three years, a decided improvement has been made in the character of their loans. We shall not fail to urge it upon them, in every possible form, to keep their affairs within such limits as never to require a suspension of specie payments. Whatever may betide other States and their banking institutions, we trust that none of the banks in Massachusetts will entertain the idea of ever suspending the payment of specie upon any of their specie liabilities.

In 1803 the bank capital of the Common-

wealth was	\$2,225,262
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From 1803 to 1816 it continually increased to	11,475,000
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From 1816 to 1817 it was reduced to	9,298,050
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From 1817 to 1820 it continually increased to	10,600,000
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From 1820 to 1821 it was reduced to	9,800,000
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From 1821 to 1829 it continually increased to	20,420,000
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From 1829 to 1830 it was reduced to	19,295,000
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From 1830 to 1837 it continually increased to	38,280,000
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From 1837 to this time, December, 1841, it has been continually reduced to	32,940,000
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Since December, 1840, the bank capital has been reduced by the surrender of the charters of the Ipswich Bank, capital \$100,000 ; the Amherst Bank, capital \$100,000 ; and by injunctions upon the Newburyport Bank, capital \$100,000 ; and the Winthrop Bank, capital \$100,000 ; and by a reduction of the capital stock of the Merrimac Bank, by the sum of \$120,000 ; making the amount of reduction since December, 1840, \$520,000.

There are now in operation one hundred and eleven banks ; twenty-five of which are in the city of Boston, with a capital of \$17,610,000 ; and eighty-six out of Boston, with a capital of \$15,330,000 ; making the present bank capital of the Commonwealth, \$32,940,000.

There has been paid into the treasury the present year, for taxes upon the bank capital, the sum of \$336,035 13, including some small arrearages from insolvent banks.

By the tabular statement annexed to this report it appears that from October, 1840, to September, 1841, the amount of bank loans had increased from \$46,540,685 21 to \$47,553,960 66. The cash funds, or immediately available resources of the banks, in proportion to their liabilities to the public, are not quite as large at the latter as at the former period. That proportion at these two periods varies but a very trifling amount, and was greater in October, 1840, in favor of the available resources, than it has been for the last thirteen years. The amount of specie in our banks was larger in September last than it has been, at the time of the annual returns, for the last thirteen years ; and but a trifle less, in proportion to the circulation, than it was in October, 1840. The banks have apparently done a somewhat larger business between October, 1840, and October, 1841, than in the year preceding, and made, upon an average, somewhat larger

dividends the present than the last year. The aggregate amount of dividends, however, the present year, has been a little less than six per cent upon the capital stock. It is to be remarked in this connection, that the pressure in the money-market, during the last and the present month, has occasioned a considerable contraction in the business of the banks. The specie for a time underwent a considerable reduction, and the line of discounts has been reduced, as the banks were reducing their liabilities. This pressure may not have been without its good effects upon the business of the banks. They have been compelled to examine into the character of their resources and the extent of their liabilities.

When the commissioners first entered upon their duties in May, 1838, the banks in Massachusetts had but recently resumed specie payments, and this resumption did not become universal until the 13th of August in that year. Since that time they have, without exception, continued to pay specie.

During the time they have been in office, the commissioners have found it necessary to obtain injunctions to arrest the proceedings of six banks, viz: The City Bank of Lowell; the Farmers & Mechanics Bank in Adams, South Village; the Roxbury Bank; the Middling Interest Bank; the Newburyport Bank; and the Winthrop Bank.

The operations of the City bank of Lowell were arrested before that corporation had commenced the issue of bills, and loss to the public was prevented.

The Farmers & Mechanics bank, in Adams, South Village, had incurred some liabilities before the appointment of commissioners. It incurred none afterwards. The attempt to set it in operation anew, was prevented by the injunction. The receiver has made progress in the settle-

ment of its affairs ; but a variety of questions have arisen in law and in equity, in the courts in the county of Berkshire, some of which are not yet determined, and the payment of its liabilities is understood to be awaiting the decision of these questions. The liabilities to the public, for bills in circulation, appear by the books to be \$1,145. But part of these have been presented to the receiver, Thomas Robinson, Esq., of North Adams.

The injunction was obtained upon the Roxbury bank by the commissioners, soon after their appointment. No valuable assets were found in this bank. The larger portion of its liabilities are supposed to have been in the hands of its fraudulent managers, citizens of another State, or in those to whom they had been pledged by them as collateral security, and they fell worthless in their hands.

The Middling Interest bank, in pursuance of the several decrees of the Supreme Court, has been proceeding during the past year, in the business of winding up its concerns, in the hands of a committee of the stockholders and a board of directors, in the manner described in our former reports. The advice and assistance of the commissioners have been given to the committee whenever it could be useful. The business of collecting the debts and paying off the liabilities, has proceeded more slowly than was anticipated ; but it has been continually urged forward by us. We have no doubt that all its liabilities will be paid. Those liabilities on the 24th of December, 1840, amounted to \$39,010. They are on the 27th of December, 1841, \$16,073 68, viz: for circulation \$15,080 ; for deposits \$106,68 ; and for dividends unpaid \$892. For the redemption of about half the liabilities, now outstanding, an amount of unquestionable paper has recent-

ly been furnished by debtors to the bank, which will soon be negotiated, and the avails applied. For the redemption of the remainder as fast as presented, it is hoped the assets of the bank will furnish sufficient funds; and also, for the payment of a per-centage to those stockholders who actually paid in their stock. It would have been far easier for the commissioners to have applied for the appointment of receivers of this bank; but under the peculiar circumstances of its affairs, they have deemed it their duty not to do so, and are satisfied that the course which has been taken, has been thus far, more for the interest of the creditors than a more violent course would have been.

The proceedings in relation to the injunctions upon these banks, and their causes, have been fully detailed in our former reports. The details of the management and condition which led to the injunction upon the Newburyport bank, were fully set forth in our report of February 24, 1841. In April last, Henry W. Kinsman, and Edward L. Le Breton, were appointed receivers. Since their appointment, the receivers have been engaged in liquidating the concerns of that bank, as directed by several decrees of the Supreme Court. Their progress has been of necessity slow. The actual liabilities now outstanding are, for bills in circulation, \$55,719; for dividends unpaid, \$54; and for deposits, \$3,440 54. It is understood, that some negotiations are now in progress, with the large debtors, which will soon be completed, the result of which, if perfected, will very materially reduce the amount of bills in circulation, and enable us to form an opinion upon the prospect of the redemption of the remaining liabilities, or of their value; which will be stated in our special report.

The Winthrop bank, in Roxbury, was incorporated in

1836, with a capital of \$100,000. When the bank went into operation, but little more than one half of the capital stock was actually paid in, in cash; the remainder being represented as paid in, because it was taken up in form, and notes given for it. This portion of the stock, together with some of the shares which had been paid in, soon after went into the hands of John Phillips and others, of the State of New York, who held at one time 550 out of the 1000 shares of which the stock consisted. This stock was pledged to the bank to secure the notes of said Phillips and others, to the bank, which amounted to about \$60,000; for which the bank also held some other collateral securities.

The liabilities of this bank to the public have never been large, and the bank was in fact doing business upon about one half the amount of its nominal capital. The commissioners found it their duty to keep a constant knowledge of the liabilities and assets. That portion of the stockholders who have taken any active interest in its concerns, have been unwilling to consent to wind up its affairs, although it has not been doing a profitable business. They have insisted that the stock could be entirely taken up by responsible persons in this vicinity, and made entirely whole by assessments, or by the earnings, and that the bank was needed in the place where it was located. The stock which stood in the names of the foreign stockholders was extricated from their hands, and passed into the hands of citizens of this State, but in portions of considerable amount, and has repeatedly changed hands. The condition of the bank, as the commissioners have been assured, has been fully made known to the purchasers of this stock; and it has been purchased by them at considerable discount. This discount had been lost to the

bank in part, by the arrangement in which the foreign debt was settled, and the stock obtained from the foreign stockholders, and in part by losses upon other debts. By these causes the stock had become impaired, so that in the opinion of a committee of the stockholders, who examined the bank in October last, the value of the shares was \$75 27 each. That committee recommended the winding up of its affairs, unless the stockholders should in some form make good the deficiency. All the plans proposed for this purpose failed of success. On the fourth of December instant, the commissioners became clearly of the opinion, that the further progress of this bank was dangerous to the public. The cashier of the bank had become employed for a portion of his time elsewhere, attending at the bank only occasionally during the day ; portions of the stock were held in masses, and liable at any time to change hands and become the property of those who would use them for speculation and not for sound banking purposes ; two incipient negotiations had become known to the commissioners within eighteen months past, for a transfer of considerable portions of the stock to speculators from abroad, one of which was only prevented by their interference. There having been also failures to comply with the provisions of law, on the part of the corporation, the commissioners, on said fourth of December, procured an injunction to be served upon the bank. On the 6th instant Messrs. Harrison Gray, William Bacon and James Russell, were appointed receivers by the court. An arrangement was immediately made with the Suffolk bank, by which the entire liabilities have been and will be redeemed as fast as presented, without even a temporary depreciation of its bills.

The condition of this bank has been peculiar, and the

course of the commissioners in regard to it, though attended with much care and labor on their part, has in their opinion been justified and required by the circumstances. There has been no loss to the public, nor any danger of *immediate* loss. But nothing could make the bank entirely safe, and its further progress safe to the public, but a division of the stock among those who would wish to hold it as an investment, and who would be able and willing to make up the amount by which it had become deficient. All the efforts on the part of those wishing for the continuance of the bank, to accomplish these purposes, having failed of success after the lapse of sufficient time, it is manifestly for the interest of the stockholders and the public that the bank should be closed and its concerns liquidated.

The liabilities outstanding of the Winthrop bank are, on the 30th December, 1841, for circulation, \$8,562; and for deposits, \$14 37.

The East Bridgewater bank, whose charter was surrendered in March, 1840, has redeemed all its liabilities to the public which have been presented. The amount of bills outstanding, and most of which will probably never be presented for redemption, is about three hundred dollars. It is understood that the committee engaged in winding up its affairs, are preparing soon to make a dividend to the stockholders.

The stockholders of the Ipswich bank, surrendered their charter in August last, and upon examination the commissioners gave their certificate that the bank might safely proceed to wind up its affairs. Its liabilities to the public were then \$22,800 50. They have been redeemed without depreciation thus far, and will continue to be so redeemed. The liabilities on the 11th instant were

\$5,295 59, viz.: for bills in circulation, \$3,278, and for deposits, \$2,017 59. The business is conducted by the board of directors. There is nothing in the history of this bank which seems to require a particular detail.

The commissioners have been notified that the stockholders of the Amherst bank, have voted to surrender their charter. The necessary examination will be made as soon as our other duties will permit. The liabilities have been thus far redeemed without any depreciation, and are now, it is presumed, but small in amount.

The Hancock bank, whose charter was surrendered in December, 1839, has now outstanding liabilities to the amount of \$11,462 65, viz.: for bills in circulation \$389; for deposits on interest, \$5,721 20; as endorser, \$5,352 45. This bank has cash funds on hand nearly sufficient to extinguish these liabilities, which will be immediately applied to that purpose.

There are several banks now in operation in different parts of the Commonwealth, which it would seem are not needed in the vicinities where they are located. The difficulty with such banks, is that they cannot loan their funds upon good business paper in their vicinities. Portions of their loans must be made upon accommodation paper, of that inert character, which when once it obtains a place, retains it for a long time, and is slow in producing its interest. Other portions must be sought for abroad, in commercial and business places. Paper which is *travelled for*, is usually second-rate paper, often protested, and not unfrequently lost. Neither of these classes of paper improve the circulation of a bank or its deposits. The bank then struggles along with a small circulation, small deposits, and a loan not producing full interest. It is not for us to interfere with the progress of these

banks, for they are safe so far as the public is concerned, by reason of the moderate amount which their liabilities can never exceed, while honestly and legally managed. The question here is for the stockholders. The stock of such banks is liable to become somewhat impaired by dividends. The ability of such banks to make dividends, is not always so much in their actual earnings, as in the science of book-keeping ; which, by crediting to the profit and loss account *all* the monies actually received for discount, though at the time of the dividend but partly *earned* ; and interest upon accommodation and overdue paper *earned* but not *received* ; and omitting to charge to that account, debts known to be doubtful and bad, shews semi-annually a surplus for dividends, which is in fact an impairing of the capital stock. The impropriety of such dividends we have fully explained in several of our reports. The remedy, is for the stockholders to require particular statements at each dividend time of the earnings, expenses, and bad debts of the bank ; and the directors should in all cases refuse to make any other or larger dividends, than the clear, net earnings of the bank actually received, will suffice to pay. Any other course is illegal, for the law says, “a dividend of *profits* ;” and injudicious, for the tax and expenses of an impaired capital, are as large as those of an entire one.

In some of the banks, the present year, we have still found memorandum checks and overdrafts. They are never attempted to be justified, their appearance is always accompanied by explanations which are never satisfactory. Accidental overdrafts cannot always be prevented ; but their continuance from day to day can and should be, in all cases.

In all the banks visited, we have made particular exam-

ination as to the rates of exchange, and have pointed out for correction those particulars in which we have deemed them obnoxious to censure. In the present state of the currency in all the southern and western sections of the country, the rates have been for the past year varying and uncertain. The great majority of banks have not settled the rates of exchange at the time of discounting the paper, but by agreement with their customers, have left those rates to be settled at its maturity. In some banks, however, what are called the current rates have been changed at the time of discounting the paper. During the former part of the year, the temptation and opportunity to exact exorbitant rates of exchange, have been less than for a few weeks past, and than they now are. When the annual examination of all the banks shall have been completed, we shall in our special report state our views and proceedings more particularly. (In a very few country banks we have, to our surprise, found some instances of charges for exchange on paper discounted, payable in Boston.) The amount has been small, but we intend to take such measures as will prevent it altogether, for reasons which we have repeatedly stated. *Exchange on Boston*

It has always been obvious, that from the nature of the duties required of us, our examinations cannot be expected to prevent frauds to some extent in the cash transactions of the officers of the banks. The object, as indicated by the law, is to ascertain the safety of the banks, so far as the public is concerned, and those having funds in their custody. To prevent such frauds, or immediately to detect them, especially in the city of Boston, frequent examinations, in addition to the examinations of the commissioners, are necessary; and even these, as ordinarily conducted, have been found to be sometimes insufficient.

If, notwithstanding the care that is exercised in the selection of proper persons to fill the situations of tellers in the banks, they are sometimes found weak enough to yield to temptation, or abandoned enough to commit frauds for their own benefit, a new system of examination must be adopted on the part of the directors of banks in regard to their cash. A recent discovery of such a fraud must lead to the adoption of additional care and precautions.

On the 4th instant, Henry B. Odiorne, the teller of the Eagle Bank, disclosed a fraudulent deficiency in his cash. The cashier and directors, upon immediate examination, ascertained the entire amount of the defalcation, which at the close of the examination was found to be \$86,909 64, which was placed on that day in the statement of the resources of the bank, as a "Suspense account." Payments have since been received and applied to reduce this item to \$70,127 02. The bank has obtained a variety of securities, the avails of which will be applied, so that the actual loss to the bank may be fairly estimated at not more than \$25,000.

It appears that the said teller had loaned a portion of the funds of the bank in his possession, upon the checks of several persons and firms, without the knowledge of any other officer of the bank, studiously concealing it from them, and receiving and applying to his own use the interest. He had also marked various checks of the same persons and firms upon the Eagle Bank as good, when the drawers, so far from having funds in the bank, were largely indebted in the irregular manner before described. He had been able, at the examinations of the cash, to supply the place of these checks by funds raised for the occasion from the parties to whom he had made the loans, and from other sources. It seems that owing to the pres-

sure for money, and in anticipation of an immediate examination, at a time when he would not be able to obtain funds to cover his deficiency, his mind was so wrought upon as to compel him to disclose the whole matter. This transaction is so recent that all the facts connected with it are not yet developed, nor can those which are ascertained be stated by us with such exactness and upon such evidence as to justify us in attempting to detail them at this time. We have recently examined the bank, and have found it in all other respects in its usual safe and flourishing condition. The loss to the stockholders of this bank will not be so considerable as was at first anticipated, but the occurrence is a warning to the officers of our banks, that the vigilance heretofore exercised, in regard to their cash funds, may not be sufficient to protect them.

In the examinations of the Provident Institutions for Savings, we have examined their investments, their system of accountability, and so far as we have deemed necessary, their accounts. They are in general conducted with faithfulness, care and skill, and at a very moderate expense.

By the returns made to the secretary's office for the last Saturday of October last, with the exception of the Chelsea institution, whose return had not yet been made, it appears that the amount of deposits in these institutions, which are thirty in number, was \$6,714,181 94: having increased in the eleven months next preceding by the sum of \$894,528 20. The number of depositors at that period was 41,423; an increase from 1840, of 3,953.

The banks which have not yet received their fourth annual examination are the Boston, City, Globe, Hamilton, New England, Shawmut, Shoe and Leather Dealers,

South, State, Suffolk, Tremont and Union Banks. The savings institutions remaining to be examined are the two institutions in Boston. The examinations of these will be completed in due time, as also of those banks whose charters have been annulled. It is understood that the Chelsea Institution for Savings is about to be wound up. Its deposits have always been inconsiderable, and are now but \$140 31, as stated by the treasurer.

The tabular statement which follows will show the liabilities of the banks to the public ; and also their resources for the thirteen last years. This, together with the annual return, compiled in the office of the Secretary of State, will furnish all the information which may be required or expected from tabular statements of this kind.

All which is respectfully submitted.

JULIUS ROCKWELL,
JONATHAN SHOVE,
WARREN LOVERING,

Bank Commissioners.

December 31, 1841.

COMPARATIVE STATEMENT of the Condition of the Banks in Massachusetts, at various times.

	AUG. 1829.	JUNE, 1830.	OCT. 1831.	AUG. 1832.	OCT. 1833.	MAY, 1834.	MAY, 1835.
Circulation, -	4,747,784 50	5,124,090 00	7,739,317 00	7,122,856 00	7,889,110 00	7,650,146 75	9,430,357 72
Balances due to other Banks, -	1,566,203 93	2,128,576 35	2,477,615 43	1,993,904 15	2,881,447 50	2,393,301 25	3,490,097 56
Deposits, -	4,755,069 79	6,379,825 38	8,952,913 30	9,207,554 94	11,666,122 90	13,308,059 09	11,921,700 68
	11,069,058 22	13,632,491 68	19,169,845 73	18,324,315 09	22,436,680 40	23,351,507 09	24,842,155 96
Specie, -	987,210 47	1,258,444 05	919,959 73	902,205 78	922,309 84	1,160,296 09	1,136,444 30
Real Estate, -	650,877 96	621,152 34	683,307 89	738,612 64	791,821 77	867,761 56	922,543 78
Bills of other Banks, -	1,236,179 07	1,393,855 68	1,375,174 17	1,201,930 65	1,796,261 96	1,952,417 54	2,097,797 75
Balances due from other Banks, -	1,651,323 57	2,191,087 62	2,427,679 37	2,307,784 26	3,363,716 29	2,824,981 86	3,797,926 86
	4,525,591 07	5,464,539 69	5,406,121 16	5,150,533 33	6,874,209 86	6,805,460 05	7,954,712 69
Notes, &c. discounted, -	28,590,896 17	27,987,234 09	36,040,760 76	38,889,727 24	45,261,008 09	47,200,477 15	48,342,019 94

COMPARATIVE STATEMENT—Continued.

	Sept. 1836.	Oct. 1837.	Oct. 1838.	Nov. 1839.	Oct. 1840.	Sept. 1841.
Circulation,	10,892,249 50	10,273,118 00	9,400,512 75	7,875,322 50	9,112,882 25	9,509,112 00
Balances due to other Banks,	5,063,886 94	5,721,969 54	3,526,686 66	2,428,021 69	3,961,805 86	4,413,506 50
Deposits, - - -	15,262,445 87	14,059,448 61	9,621,217 03	6,728,718 42	8,636,923 35	8,604,721 44
	31,218,582 31	30,054,536 15	22,548,416 44	17,032,062 61	21,711,611 46	22,527,339 94
Specie, - - -	1,455,230 47	1,517,984 02	2,394,624 24	1,838,272 99	2,991,804 50	3,111,837 84
Real Estate, - - -	1,140,004 65	1,155,722 96	1,066,327 21	1,141,595 46	1,169,803 06	1,238,191 22
Bills of other Banks, - - -	3,428,852 75	2,988,617 13	2,359,387 46	1,552,071 08	2,121,782 64	2,314,437 23
Balances due from other Banks, - - -	5,126,900 81	5,814,224 04	5,027,800 03	3,773,458 98	4,702,491 41	4,461,046 93
	11,150,988 68	11,476,548 15	10,848,138 94	8,305,398 51	10,985,881 61	11,125,513 22
Notes, &c. discounted, - - -	56,643,171 96	58,414,182 39	48,206,808 85	44,967,749 50	46,540,685 21	47,553,960 66

SENATE.....No. 71.

MESSAGE.

COUNCIL CHAMBER, BOSTON, *Feb.* 28, 1842.

To the President of the Senate :

SIR,—I herewith transmit, for the use of the Legislature, a Supplemental Report of the Bank Commissioners.

J. DAVIS.

To His Excellency, JOHN DAVIS,

Governor of the Commonwealth of Massachusetts :

The Bank Commissioners respectfully submit the following

SPECIAL REPORT:

At the time of our annual report, in December last, twelve of the banks in the city of Boston had not received their fourth annual examination. Since that time these banks, viz : the Boston, City, Globe, Hamilton, New England, Shawmut, Shoe and Leather Dealers, South, State, Suffolk, Tremont and Union Banks, have been visited and examined. From the condition of these banks, we do not find any necessity of altering the statements contained in our annual report, in regard to the banks generally.

We are happy to believe that the present policy of the Boston banks is to place and to keep themselves in a strong position. At this time, as it seems to us, it is plain that such a course should be steadily persevered in by all the banks in the Commonwealth. And we are also of opinion, that while pursuing such a course with firmness and enlightened forecast, all requisite facilities can be furnished to the business community. We believe it better for the permanent interests of that community, and also for the permanent interests of the stock and stockholders of the banks themselves, that a course of determined caution should be pursued, even if it diminishes the amount of the semi-annual dividends.

The practices of the banks in regard to the rates of exchange, have been matters of anxious consideration and examination by us, in reference to the law of 1840, which imposes important duties upon us in this respect. The report made by us to the Legislature of that year has, we believe, been attended with good results; and we have not, as yet, deemed it necessary to proceed against any bank under the provisions of that law.

We have obtained considerable information since our annual report, upon the matter of the fraudulent transactions of the late teller of the Eagle Bank, and of some of the subordinate officers of other banks. In this we have received facilities from the district attorney for the county of Suffolk, so far as they could properly be extended. As it is understood that the grand jury of that county have been engaged upon these matters, we do not deem it our duty to enlarge upon them at this time. In the progress of judicial investigations, we may expect the full history of these transactions will be laid before the public: and should this not prove to be the case, we shall take some proper occasion to give such history to the public. Measures which, if persevered in, we believe will be effectual to prevent frauds and peculations of this kind in future, have already been adopted in some of the banks, and we trust will be adopted by all.

“The Provident Institution for Savings in the town of Boston” has been in operation since 1816. The amount of deposits on the 11th of February, 1839, was \$2,008,518 43; on the 5th of February, 1840, it was \$2,058,820 50; on the 20th of February, 1841, it was \$2,208,365 02; and on the 26th of February, 1842, it was \$2,417,414 99. The annual examination of the securities, system of accountability, and accounts of this

prosperous institution, is a work of considerable labor, and a part of the commissioners are now engaged in completing the examination of the present year.

“The Savings Bank for seamen and others;” the name of which has been, by the present Legislature, changed to that of “the Suffolk Savings Bank for seamen and others;” has been in operation since 1833. The amount of deposits on the 29th of February, 1839, was \$153,503 90; on the 1st of February, 1840, it was \$199,813 63; on the 31st of January, 1841, it was \$230,816 31; and on the 24th of February, 1842, the date of the present examination, it was \$268,665 83.

We believe, as the result of our several examinations, that these institutions are conducted in a safe manner; and, it will be seen, that their deposits are continually and steadily increasing.

By the act of February 21, 1839, we were directed to visit and examine those banks whose charters had been, or thereafter might be, annulled, or surrendered. These banks have been examined from year to year, in pursuance of that statute; and our special reports, of each year, have contained detailed statements in regard to each of them. By comparison of those reports with the present report, we believe all the facts, which are material, may be ascertained.

The business of winding up the affairs of these corporations, as it will be seen, has been conducted in a variety of ways. Some have been continually conducted by directors annually chosen, some by committees, and others have been placed in the hands of receivers. The circumstances of the cases have been so different that no general rule can be applied. Generally, there has been a depreciation, from time to time, in the estimated value of the

assets, notwithstanding the most careful valuations. We have endeavored, in all cases, so far as our powers extended, to give the most judicious direction in our power to the measures adopted in each particular case.

The difficulties of making collections by an insolvent bank, are very great. Delay and depreciation attend upon the most thorough and well-directed efforts. The principles of law and equity in regard to them, have many of them been but recently settled, and some are not yet decided. Debtors seem to feel less obligation or interest in the payment of debts to a broken bank than any other debts whatever. For these reasons, when we have found banks in a condition requiring their affairs to be closed, we have been willing that as much progress as practicable should be made, in collecting their debts and paying their liabilities before their charters were annulled: taking care, however, that the interests of the public should not be endangered.

AMERICAN BANK.

Incorporated February 20, 1824. Charter surrendered February 13, 1839. Capital \$500,000.

LIABILITIES.

	Feb. 13, 1839.	March 18, 1840.	Feb. 8, 1841.	Feb. 1, 1842.
Bills in circulation,	3,507 00	1,981 00	1,818 00	1,740 00
Deposits, - -	4,819 08	100 50		
Due other Banks, -	62			
	\$8,326 70	\$2,081 50	\$1,818 00	\$1,740 00

The affairs of this institution are managed, as heretofore, by three trustees, who report monthly to the direct-

ors. The liabilities have been paid as fast as presented ; but only \$78 of the bills have been presented the past year. Four stock dividends have now been made, amounting to \$187,500. It may be estimated, that about \$110,000 more will be paid to the stockholders.

CHELSEA BANK.

Incorporated April 16, 1836. Charter repealed April 19, 1837. Capital \$100,000.

Charles G. Loring and William Dehon have been receivers of this bank since March, 1840. The liabilities of the bank to the public are \$27,829 for bills ; and \$5,900 for post-notes. All the stock, excepting 41 shares, stands in the name of the bank. It is expected that the legal proceedings, which have been long continued, will be closed in April next ; and that the assets may pay about 30 per cent. of the liabilities. Persons holding bills of this bank, should present them forthwith to the receivers. At the close of the legal proceedings, notice will be given by publication in some of the Boston papers, by the receivers, of the amount to be received by each creditor whose claims shall have been presented.

COMMERCIAL BANK.

Incorporated June 15, 1841. Charter repealed April 21, 1838. Capital \$500,000.

The bills of this bank have been redeemed whenever presented. The amount now outstanding is \$1,918. Dividends amounting to \$350,000 have been made to the stockholders, and a small amount will still be realized

from the remaining assets. The affairs of this bank are managed by the cashier and directors. The time for winding up its concerns was extended, by a resolve of the last Legislature, until April 21, 1843.

COMMONWEALTH BANK.

Incorporated February 20, 1824. Charter repealed, April 2, 1838. Capital \$500,000.

LIABILITIES.

	March 18, 1839.	Feb. 26, 1840.	Feb. 15, 1841.	Feb. 15, 1842.
Bills in circulation,	77,999 00	69,590 00	25,213 00	8,942 00
Post Notes, - -	9,500 00	9,500 00	9,500 00	6,500 00
Deposits, - -	363,251 53	175,691 89	71,852 15	34,151 05
Due Banks, - -	114,502 78	110,004 63	100,154 29	33,698 13
	\$565,253 31	\$364,786 52	\$206,719 44	\$83,291 18

It is to be remarked, however, that the reduction in the liabilities during the past year has not been effected by the payment to the creditors of the bank, of the amount of their debts; but by way of settlement and compromise, several of the creditors having taken portions of the assets, in discharge of their claims, upon which they sustained severe losses; and the amount which these creditors will receive will probably, in nearly every case, be quite small in proportion to the amount of their claims.

Of the bills yet outstanding, say \$3,000 are known to be in existence; and it is supposed by those who have been conversant with the bank, that a very large part of the remainder have been lost or worn out. The bills which have been redeemed the past year, have been mostly paid in by debtors to the bank, in discharge of their lia-

bilities, in the manner described in our report last year. Of the item *deposits*, \$18,545 38, is the balance due the United States, according to the books of this bank, for which the government holds collateral security, deemed sufficient by those interested. Of the remaining deposits, \$11,065 are considered as secured by trustee process.

The item, *due banks*, is the sum due to seven banks, in and out of this Commonwealth.

The present nominal assets of the bank appear as follows. Due from banks, \$36,874 19; checks, &c., \$4,003; notes receivable, \$88,035 94; stocks, \$3,600; overdrafts, \$3,629 14; in all, \$136,142 27. This is exclusive of the property pledged to the United States, and also of one debt subject to the effect of a pending trustee process. This nominal amount of the assets is, however, of scarcely any use in estimating their true value or the amount which will be realized from them. That amount, however, will be, by no means, sufficient to pay the liabilities. The commissioners will exhibit, to any creditor of the bank, who may call upon them, a list of all the assets, and give any information in their power.

The resources of this institution, which some years since appeared, upon careful and rigorous investigation, to be more than sufficient to pay all its liabilities, have failed to do so. Many of its creditors who have thought it advisable to compromise and discharge their demands, have suffered severe losses. Those whose claims have not yet been discharged, must also suffer severely. The committee of the Legislature, at its last session, after investigating the whole subject, reported a bill, which became a law, extending the time for winding up its concerns. The bank has, therefore, been continuing this process, by its board of directors and committee of stockholders. The

causes which have operated so greatly to diminish the value of the assets, and which have operated in like manner throughout the country, were beyond their control. It does not seem probable that any other mode of winding up this institution would have resulted more beneficially to its creditors and stockholders. The extended time for closing its concerns, will expire on the 2d of April next, and the directors have applied to the Legislature for an extension of another year.

FRANKLIN BANK.

Incorporated March 18, 1828. Charter repealed April 4, 1838. Capital \$150,000.

The liabilities of this institution remain without change since our special report of the last year. We suggested in that report, that, for some reasons, it might be advisable to extend the time for winding up its concerns. This, however, was not done, nor have we now any evidence that such extension would have been of any use. The time of three years from the repeal of the charter expired in April last. It is understood that the books and papers are in the vault at South Boston; but, as the key of the inner door is in the hands of the former directors, and that of the outer door, in the hands of Mr. Hickling, the agent, who, for some years, had care of the bank, and neither sees fit to yield to the other, they seem to be as safe as they are worthless. Had the system of double securities been adopted at an earlier period in the history of the bank, the public might not have suffered so severely. During the agency of Mr. Hickling, some portion of the bills of this bank were drawn out of circula-

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tion, as may be seen by our previous reports. Many of them are still abroad, however, and to prevent their becoming any where the instruments of fraud, it should be distinctly understood that they are worthless.

FULTON BANK.

Incorporated March 27, 1833. Charter repealed April 19, 1838. Capital \$500,000.

LIABILITIES.

	March 4, 1839.	Feb. 24, 1840.	Feb. 8, 1841.	Feb. 1, 1842.
Bills in circulation, -	67,986 00	24,694 00	5,084 00	4,617 00
Balances due to other Banks, - - -	30,004 50	30,004 50	27,129 50	26,596 90
Deposits, (blue books,)	61,516 00	51,900 00	820 48	820 48
	\$159,506 50	\$106,598 50	\$33,033 98	\$32,034 84

In April last, as the three years, from the repeal of its charter, were about expiring; upon the application of some of its creditors, Isaac P. Osgood was appointed receiver by the supreme court. He was directed by the decree not to receive the bills of the bank in payment for debts due to it, and to make all collections in current money, and to preserve the avails for such distribution as the court might subsequently direct. How far the outstanding liabilities may be valuable, cannot now be ascertained. Their value, however, will be small, according to present appearances. Persons holding claims against this bank should present them to the receiver, to await the result of the proceedings.

HANCOCK BANK.

Incorporated March 25, 1833. Charter surrendered Dec. 12, 1839. Capital \$500,000.

The only present liabilities of this bank to the public are for bills outstanding, \$389; except a nominal liability as endorser for the sum of \$4,623 18. Nearly one fifth of the stock is owned by the bank. The property of the bank, it is expected, will all be sold by the 1st of June next; after which a dividend will be made to the stockholders. The affairs are in the care of the president and cashier. The remaining bills will be redeemed upon presentation.

KILBY BANK.

Incorporated April 15, 1836. Charter repealed April 17, 1838. Capital \$500,000.

Although the three years time, from the repeal of the charter of this bank, expired last April, its bills are still redeemed by the president upon presentation, and we are assured will continue to be so redeemed. The amount now outstanding is about \$560; but few of which, it is believed, will ever make their appearance.

LA FAYETTE BANK.

Incorporated April 16, 1836. Charter repealed April 2, 1838.

Since June, 1840, Charles Hickling and George Savage have been receivers of this bank; but they say they have

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received nothing, and probably never will. The progress made in attempting to close the concerns of this institution, are detailed in our last special report.

MIDDLESEX BANK.

Incorporated March 19, 1831. Charter repealed April 4, 1838. Capital \$150,000.

LIABILITIES.

	March 9, 1839	Feb. 15, 1840.	Feb. 1, 1841.	
Bills in circulation,	6,542 00	2,645 00	1,974 00	1,663 00
Deposits, - -	69 12	34 90		
Deposits on interest,	45,010 06	24,010 06		
Dividends unpaid,	6 00			
	\$51,627 18	\$26,689 96	\$1,974 00	\$1,663 00

This corporation, since the repeal of its charter, has been continually managed by the cashier and a board of directors. The time for winding up its affairs has been extended to April 4, 1843. Its bills are redeemed whenever presented at the bank. A dividend has been made to the stockholders, amounting to \$22,500. Another dividend of probably 20 per cent. will be made immediately.

NAHANT BANK.

Incorporated March 28, 1833. Charter repealed April 19, 1837. Capital \$150,000.

The whole amount of claims which have been presented to the receivers, after sale and application of their collat-

eral, and adjustment of interest, are \$203,745 55. Of these, \$24,815 are post-notes, \$82,062 are bills of the bank, and the remainder are liabilities of the bank as endorser, bank balances and judgments. All the property has been sold except the eastern land. A dividend of 15 per cent. to the creditors, on the amount of their claims, will probably be decreed in March. In the course of a few months another dividend, of say 10 per cent., may be decreed. Persons holding bills of this bank can present them to C. B. Goodrich and F. B. Crowninshield, the receivers.

BANK OF NORFOLK.

Incorporated March 4, 1826. Charter Repealed April 24, 1838. Capital \$200,000.

LIABILITIES.

	Mar. 15, 1839.	Mar. 12, 1840.	Feb. 18, 1841.	Feb. 19, 1842.
Bills in circulation, - -	47,548 00	23,672 00	18,638 00	8,601 00
Dividends unpaid, - -	26 00	26 00	26 00	8 00
D. A. Sigourney, Treasurer,	4,155 66	4,155 66	1,000 00	
Deposits on interest, -	16,000 00	3,000 00	3,000 00	3,000 00
Deposits not on interest,	864 16	841 20	43 48	40 79
Post Notes, - - -	12,300 00	9,300 00	4,000 00	4,000 00
Balance due Suffolk Bank,	13,785 25	12,503 92	13,005 94	3,696 44
	\$94,679 07	\$53,498 78	\$39,713 42	\$19,346 23

Of the bills stated to be in circulation, \$3,500 are in the Suffolk Bank, lying there merely as collateral; and \$2,000 are known to have been buried in the western country; reducing the amount of bills in actual circulation to \$3,101. So many of these as may make their appear-

ance will be redeemed whenever presented, as they heretofore have been. The time for winding up the bank was extended by the last Legislature to April 24, 1843. The bank holds 155 shares of its own stock absolutely, and 25 shares as collateral. The concern is managed by a cashier, with the advice of a board of directors and a committee of stockholders. There will be dividends paid to the stockholders, but the amount of those cannot now be stated.

ORIENTAL BANK.

Incorporated June 23, 1831. Charter repealed April 25, 1838. Capital \$750,000.

LIABILITIES.

	March 12, 1833.	March 5, 1840.	Feb. 1, 1841.	Feb. 19, 1842.
Bills in circulation, -	2,717 50	1,035 25	966 25	855 75
Deposits, - -	178,531 85	118,480 07	360 00	360 00
Dividends unclaimed,	8 00	8 00	8 00	
Balances due Banks,	75 99			
	\$181,333 34	\$119,523 32	\$1,334 25	\$1,215 75

The bills are redeemed whenever presented. It is not probable that many more of them will be presented. Since July 1, 1841, but \$27 have been presented. Dividends have been made to the stockholders, amounting to \$210,000. Another dividend of, say 7 per cent. will be made in March next.

The affairs have been managed by a receiver, with the advice of a committee, since December 14, 1839. By decree of the supreme court, the time for closing the concerns, is extended to April 4, 1842, and may be further

extended. The deposit of \$360, stands in the name of John Weston, and has never been claimed.

Persons interested in the affairs of “the Farmers and Mechanics’ Bank, in Adams, South-village,” may find the report of Thomas Robinson, of Adams, the receiver, in the clerk’s office of the supreme court, in Boston. This report was made in January last, of the bills outstanding, \$1,145; the sum of \$559 75 have been ascertained to be in existence. Those who have bills of this bank, should lose no time in presenting them to the receiver; as he reports that he has reason to believe the whole affair will be closed without much delay. There have been long and tedious legal proceedings in the arrangement of its affairs, which are now brought nearly to a close, and the liabilities, as appears by the receiver’s report, will all be paid if presented in season.

The affairs of the Roxbury Bank remain in the same hopeless condition as stated in our former reports.

Since our annual report, no material change has taken place in regard to the Newburyport Bank; and it is still uncertain whether all its liabilities will be paid. Those interested, may learn the progress made, from time to time, by the receivers, from their reports, which will be made periodically to the supreme court, and filed in the clerk’s office, in Boston. The negotiation by which, if carried into effect, a considerable portion of the bills will be taken up, is not yet completed; and it is still uncertain to what extent the liabilities to the public will be paid by the proceeds of the assets of the bank.

On the 10th of January last, an examination was made of the present condition of the Amherst bank; and the

certificate of the commissioners, as provided by law, was given, that the bank might safely proceed to wind up its concerns. The only liabilities of the bank to the public appeared then to be \$4,834 for bills in circulation, and \$1,431 44 for deposits. Nearly the whole of the latter item, however, stood to the credit of persons indebted to the bank, and to be applied upon their debts. The bills, whenever presented, have been, and will be redeemed at the Suffolk bank. A dividend of 12 per cent has been paid to the stockholders; and other dividends will be made as soon as practicable.

Since the late cashier of this bank, Luther Root, who is since dead, left the bank in October, 1838, on account of the discovery of a defalcation, we have examined the condition of this bank as often as we deemed it necessary; and still more often have received returns from it, so as to be satisfied that the public was at no time in danger of loss from its liabilities. We have also made such examinations as a reasonable time would permit, in regard to the nature and causes of the impairing of its capital stock. It has all along, however, been obvious that we could not be justified in spending, at the public expense, time sufficient to unravel all the details of the loose and fraudulent transactions which have caused severe losses to the stockholders. Investigations for this purpose have been pursued by committees of the stockholders from time to time. In February, 1841, we spent two days upon this matter, a committee being then engaged in the investigation. We made a report at that time, giving such details as in that time we could ascertain, which, in connexion with the report of their committee, has been published by the stockholders. At a meeting in November last, a very competent committee of gentlemen, acquainted with the details

of banking business, was employed, with power to spend all the time necessary to a full investigation. The report of that committee, whose labors occupied some nine or ten days, and were obviously pursued with great vigilance and sagacity, was made in detail in January last, and has been published in pamphlet form. All the information which can be of use to the stockholders or the public, it is believed, has thus been communicated.

Since our annual report, but little progress has been made in redeeming its liabilities. We are assured, however, that every reasonable exertion has been made, and is making in this behalf.

The liabilities of the Winthrop bank are now reduced to the sum of \$4,059 for bills issued, \$14 15 for deposits, and \$27 for unpaid dividends. These liabilities will continue to be redeemed without interruption, till all are paid, whenever presented. The first account of the receivers is to be made to the court at the expiration of six months from the time of their appointment.

All which is respectfully submitted.

JULIUS ROCKWELL,
JONATHAN SHOVE,
WARREN LOVERING,

Bank Commissioners.

February 26, 1842.





